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STATE DOCUMENTS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF THE

STATE OF MONTANA

TWELFTH ANNUAL REPORT

OF THE

SOCIAL SECURITY DIVISION

1966-1967

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October 31, 1967

Honorable Tim Babcock
Governor of Montana
State Capitol
Helena, Montana

Dear Governor Babcock:

The Board of Administration of the Public Employees' Retirement System of Montana herewith respectfully presents for your consideration and record its Twelfth Annual Report of the operations and progress of its Social Security Division for the fiscal year ending on June 30, 1967, in accordance with the provisions of Section 68-501 (c), Revised Codes of Montana, 1947.

The Social Security Division provides coverage through the Montana-Federal Social Security Agreement of 1953 for all eligible public employees in Montana and serves as the administrative agency which determines eligibility for coverage and collects, audits and deposits contributions to the credit of employee members.

The benefits provided to public employees through participation in the Social Security program secure to each member and his beneficiary, or beneficiaries, a greater measure of security at superannuation, disability or death. It realizes more fully, when supplemented by the benefits available under the Public Employees' Retirement System, a more complete and satisfactory retirement plan for the deserving public employees and insures to the State of Montana, and its political subdivisions, the recruitment and retention of the more efficient career employees.

We appreciate this opportunity and privilege in being able to provide this measure of reward and recognition to the faithful and deserving public employees of the State of Montana and its contracting political subdivisions while contributing to the improvement of the personnel standards for efficient, courteous and stable public service in Montana.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

John F. Sasek, Secretary

REPORT AS OF JUNE 30, 1967

For the Period Beginning July 1, 1966 and Ending June 30, 1967

BOARD OF ADMINISTRATION

	Term Expires	
FRED L. HILL, Great Falls	April 1, 1972	President
JACK D. SHANSTROM, Livingston	April 1, 1971	Vice-President
A. C. GRANDE, JR., Martinsdale	April 1, 1970	Member
MONS L. TEIGEN, Helena	April 1, 1969	Member
HUBERT G. WHITE, Townsend	April 1, 1968	Member

ADMINISTRATIVE STAFF

JOHN F. SASEK	Secretary
OWEN L. MORRIS, JR.	Accountant
MICHAEL J. HUGHES	Attorney

LEGISLATION AND GROWTH

LEGISLATION

Public employees in Montana were first provided the opportunity of securing Social Security coverage, or Old Age, Survivors' and Disability Insurance under the provisions of Chapter 44, 1953 Session Laws of Montana, when the Thirty-Third Legislative Assembly of Montana enacted the enabling legislation whereby political subdivisions, not under a retirement system, could have some measure of security for themselves and beneficiaries at superannuation, and for their survivors, should the employees never reach superannuation. This enabling legislation was made possible by the 1950 amendments to the Federal Social Security Act which permitted public employees, not under a retirement system, to secure Social Security coverage which had not been previously available to them.

Under the authority granted to it by Chapter 44, 1953 Session Laws of Montana, the State Board of Examiners entered into a Federal-State Social Security agreement with the Secretary of Health, Education and Welfare, effective on December 7, 1953. This original agreement was applicable only to those political subdivisions not under a retirement system. The state agency designated to administer Social Security for public employees in Montana under this act was the State Board of Equalization.

The Montana Federal-State agreement of December 7, 1953, provided the basis of coverage for the various classes of positions among public employees in Montana and every agreement, or modification thereof, which has been executed by the State of Montana or its political subdivisions since that date has been governed by it, so that all classes of positions are covered except some employees working on a fee basis, firemen, policemen, students employed incidentally at the various educational institutions, and state highway patrolmen. The original agreement has been amended so that fee basis elective officials may be covered.

Social Security coverage under the provisions of Chapter 44, 1953 Session Laws, was secured solely through a voluntary Plan and Agreement negotiated between the legislative body and the State Board of Equalization, which administered Social Security for public employees in Montana until July 1, 1955, when the Public Employees' Retirement System assumed its administration.

The Thirty-fourth Legislative Assembly of Montana amended the original act of 1953 to allow public employees of Montana, who are under a retirement system, to add Social Security coverage to their coverage under a retirement system. This was done in accordance with the provisions of the 1954 amendments of the Federal Social Security Act. The coverage for these public employees was provided under Chapter 270, 1955 Session Laws of Montana, for members of the Public Employees' Retirement System of Montana, and under Chapter 271, 1955 Session Laws of Montana, for members of the Teachers' Retirement System of Montana who are professional employees of the six units of the Greater University of Montana or professional employees of a school district.

The 1954 amendments to the Federal Social Security act required that no state agency or political subdivision could add Social Security coverage without submitting the question of participation to the members of their respective retirement systems to a referendum vote conducted by the State Agency. The Montana amendments of 1955 incorporated this provision so that members of the Public Employees' Retirement System and the Teachers' Retirement System could participate in Old Age, Survivors' and Disability Insurance the same as public employees who are not under a retirement system. These amendments also transferred the administration of Social Security for public employees in Montana from the State Board of Equalization to the Board of Administration of the Public Employees' Retirement System of Montana, effective as of July 1, 1955.

The 36th Legislative Assembly enacted Chapter 97, 1959 Session Laws of Montana making three changes in the previous state Social Security legislation. The most important section of Chapter 97 clarified the wording of the original enabling law so that it would coincide with any future changes in the retroactivity clause of the Federal Social Security Act. The other provisions of Chapter 97 corrected a typographical error which occurred in the preparation of Chapter 270, 1955 Session Laws of Montana and removed the word "teachers" from the exclusions of Chapter 270, 1955 Session Laws of Montana since the teacher group was covered by Chapter 271, 1955 Session Laws of Montana.

The 39th Legislative Assembly amended Section 59-1110, R.M.C., 1947 to provide that the contributions with respect to services of school district employees, equivalent to the employers' tax established by the Federal Social Security Act shall be the first obligation against any state funds received for school support by any school district, high school district or county high school, and shall first be paid therefrom. This amendment allowed the State of Montana to take advantage of the provisions of Section 218 (e) of the Social Security Act whereby contributions with respect to wages for services performed under the agreement during the calendar year for the State and one or more school districts or for two or more school districts, shall be computed as though such wages were paid by a single employer for work done in its employ. Prior to this amendment an individual who worked for the State and one or more school districts or two or more school districts in a calendar year was required to be reported for all wages, up to the maximum reportable, by each school district and each school district was required to pay contributions on these amounts.

GROWTH

During its first twelve years of administering Social Security for public employees in Montana the Public Employees' Retirement System conducted forty-six (46) statewide referendums, on October 10, 1955, January 4, 1956, April 16, 1956, May 28, 1956, October 15, 1956, January 28, 1957, May 6, 1957, September 16, 1957, December 6, 1957, April 4, 1958, September 29, 1958, January 16, 1959, April 16, 1959, October 5, 1959, December 4, 1959, March 23, 1960, May 6, 1960, December 9, 1960, February 17, 1961, May 5, 1961, November 15, 1961, December 15, 1961, February 16, 1962, March 23, 1962, May 4, 1962, November 15, 1962, December 14, 1962, February 15, 1963, May 3, 1963, December 13, 1963, February 14, 1964, May 8, 1964, May 22, 1964, August 31, 1964, December 11, 1964, March 12, 1965, April 16, 1965, May 14, 1965, August 30, 1965, December 18, 1965, March 18, 1966, May 20, 1966, December 9, 1966, January 27, 1967, March 7, 1967 and May 5, 1967, respectively, and extended Old Age, Survivors' and Disability Insurance to 33,844 additional public employees in 89 state departments, fifty-six (56) counties, one hundred (100) cities and towns, all units of the Greater University of Montana, six hundred and twelve (612) school districts, eighteen (18) irrigation districts, fifteen (15) cemetery districts, two (2) municipal water departments, two (2) public libraries, five (5) soil conservation districts, five (5) public housing authorities, one (1) hospital association, one (1) county water district and one (1) health district.

By July 1, 1967, Old Age, Survivors' and Disability Insurance had been extended to the majority of public employees in Montana, with 34,432 now participating. This is approximately 96% of the total estimated number of public employees who could be covered under Old Age, Survivors' and Disability Insurance. All state departments, all component units of the Greater University of Montana, all counties, the majority of cities, towns, first and second class school districts, and many other political subdivisions have provided Social Security coverage for their public employees so that the number remaining is to be found principally in the smaller political subdivisions of the state.

NATIONAL CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS

The Fifteenth annual National Conference of State Social Security Administrators was held in Gearhart, Oregon on August 23-24, 1966. Montana was represented by Mr. Fred Hill, President, Board of Administration, Mr. John F. Sasek, Secretary, Public Employees' Retirement System, and Mr. Owen L. Morris, Jr., Accountant, Social Security Division.

The Conference is conducted under the supervision of the member states with the cooperation of the Social Security Administration. The conference is held so that the states may present their problems and offer suggestions concerning the operation of the Social Security program in their state and for the states to exchange ideas. The conference also proposes legislation to present to Congress to better the Social Security program as concerns the state.

WAIVER OF HEARING AND PARTIAL TERMINATION OF AGREEMENT

PURPOSE

When a political subdivision or absolute coverage group is dissolved, it is necessary for the State to take action to have the dissolved political subdivision removed from the agreement. A political subdivision which has been dissolved must be terminated by the Secretary pursuant to the provisions of the Act under which the Secretary may terminate an agreement or part of an agreement, if the State is legally unable to comply with the terms of the agreement. The formal document used for this procedure is called a "Waiver of Hearing and Partial Termination of Agreement."

RECENT TERMINATIONS

During the past fiscal year twenty-eight (28) documents of Waiver of Hearing and Partial Termination of Agreement were executed by the Secretary, removing thirty-seven teacher coverage groups and six (6) coverage groups of employees, other than teachers, from the Social Security Agreement.

REFERENDUMS

PURPOSE OF REFERENDUM

A referendum is held so that employees of public agencies under a retirement system might be afforded the opportunity to vote on the question of supplementing their present retirement program with the OASDI coverage. Congress in enacting the provisions relating to retirement system coverage under OASDI specifically declared its policy to be that the protection afforded employees in positions covered by a retirement system, or the payment of periodic benefits under a retirement system, will not be impaired as a result of such coverage or as the result of legislation enacted in anticipation of such coverage.

RECENT REFERENDUMS

During the past fiscal year four referendums were conducted for political subdivisions in the state on December 9, 1966, January 27, 1967, March 7, 1967 and May 5, 1967. In these referendums, 12 school districts participated with 68 eligible employees voting. The final certification of the referendums showed employees of 12 agencies voting favorably for the coverage and no agencies voting against coverage.

MODIFICATIONS

PURPOSE OF MODIFICATION

The Social Security Act provides that a State's original agreement may be modified to include additional coverage groups and to cover services previously excluded from an agreement or modification. The coverage must be consistent with the provisions of the Federal Social Security Act.

An agreement is modified by the use of a formal document known as a "Modification." The signing of a modification is an acknowledgment of the full applicability to it of the provisions of the original agreement.

RECENT MODIFICATIONS

During the past fiscal year the Social Security Division prepared and processed 13 modifications which were approved and signed by the Social Security Administration in Baltimore, Maryland. These modifications extended the coverage to the following groups: Teachers at 12 school districts, employees who were members of the P.E.R.S. at 2 school districts, employees who only have social security coverage at 7 school districts and 2 towns.

Modifications are continually being prepared extending coverage to those agencies desiring the coverage for their employees.

SUMMARY OF OPERATIONS

(7-1-66 to 6-30-67)

During the fiscal year which ended on June 30, 1967, Social Security Contributions in the amount of $12,990,903.20 were collected from member agencies. This is $3,972,036.17 more than the preceding fiscal year and is attributable to the increase in contribution rates, the increase in the maximum wages upon which contributions are paid, the increase in covered employees and to higher wages paid to covered employees.

Administrative expense fees collected amounted to $42,764.44 compared with $35,443.59 for the preceding twelve-month period. Interest income totalled $37,859.68, for an increase of $10,531.46 over the previous fiscal year.

Disbursements for administrative expense totalled $37,346.84, which was $5,733.08 more than the period from July 1, 1965 to June 30, 1966.

INCOME AND DISBURSEMENTS

July 1, 1966 to June 30, 1967

Assets as of June 30, 1966		$ 551,423.07
INCOME FOR YEAR ENDING JUNE 30, 1967		
Employee and Employer Contributions	$12,990,903.20	
Contribution to Expense	42,764.44	
Interest Income from U.S. Obligations	37,859.68	
TOTAL INCOME		$13,071,527.32
BALANCE TO BE ACCOUNTED FOR		$13,622,950.39
DISBURSEMENTS FOR YEAR ENDING JUNE 30, 1967		
Personal Services:		
Salaries	$ 23,820.86	
Employee Benefits	1,761.25	
TOTAL PERSONAL SERVICES	$ 25,582.11	
Operations:		
Supplies and Materials	$ 829.44	
Communications	1,767.13	
In-State Travel	627.65	
Out-of-State Travel	212.35	
Contracted Services	3,022.29	
Special Fees	4,695.00	
TOTAL OPERATIONS EXPENSE	$ 11,153.86	
Repairs and Maintenance:		
Equipment	$ 390.01	
TOTAL REPAIRS & MAINTENANCE	$ 390.01	
Capital Expense:		
Furniture & Fixtures	$ 220.86	
Depreciation*	4,728.66	
TOTAL CAPITAL EXPENSE	$ 4,949.52	

*All furniture and fixtures were depreciated to zero an an accounting expedient.

Grants, Aid Payments, Transfers:		
Payments of Contributions	$12,067,973.85	
Payments of Interest	31.95	
Refunds	6,951.23	
TOTAL GRANTS, AID PAYMENTS & TRANSFERS	$12,074,957.03	
TOTAL DISBURSEMENTS		$12,117,032.53

ASSETS AND LIABILITIES

ASSETS:		
Cash Fund 908300	$ 18,461.64	
Cash Fund 214700	26,133.15	
Investment	1,459,518.51	
Accrued Interest Purchased	1,804.56	
TOTAL ASSETS		$ 1,505,917.86
LIABILITIES:		
Prepaid Contributions	$ 817,937.45	
Contributions Liability	566,082.53	
Equity	121,897.88	
TOTAL LIABILITIES		$ 1,505,917.86

REFERENDUMS HELD IN THE STATE FOR MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM AND THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM ON THE QUESTION OF SUPPLEMENTING THEIR PRESENT RETIREMENT PROGRAM WITH SOCIAL SECURITY

REFERENDUMS	Agencies Voting For Social Security	Agencies Voting Against	Per Cent In Favor
First Referendum—October 10, 1955	128	3	97.7%
Second Referendum—January 4, 1956	50	4	92.5%
Third Referendum—April 16, 1956	110	8	93.2%
Fourth Referendum—May 28, 1956	66	15	81.5%
Fifth Referendum—October 15, 1956	42	11	79.2%
Sixth Referendum—January 28, 1957	56	3	94.9%
Seventh Referendum—May 6, 1957	35	2	94.6%
Eighth Referendum—September 16, 1957	51	5	91.1%
Ninth Referendum—December 6, 1957	71	9	88.8%
Tenth Referendum—April 4, 1958	57	1	98.2%
Eleventh Referendum—September 29, 1958	44	3	93.6%
Twelfth Referendum—January 16, 1959	31	1	96.9%
Thirteenth Referendum—April 16, 1959	23	1	95.8%
Fourteenth Referendum—October 5, 1959	23	6	82.1%
Fifteenth Referendum—December 4, 1959	12	4	75.0%
Sixteenth Referendum—March 23, 1960	20	7	74.1%
Seventeenth Referendum—May 6, 1960	2	1	66.7%
Eighteenth Referendum—December 6, 1960	22	5	73.3%
Nineteenth Referendum—February 17, 1961	12	5	58.3%
Twentieth Referendum—May 5, 1961	8	0	100.0%
Twenty-first Referendum—November 15, 1961	1	0	100.0%
Twenty-second Referendum—December 15, 1961	21	2	91.3%
Twenty-third Referendum—February 16, 1962	8	0	100.0%
Twenty-fourth Referendum—March 23, 1962	4	0	100.0%
Twenty-fifth Referendum—May 4, 1962	7	0	100.0%
Twenty-sixth Referendum—November 15, 1962	2	0	100.0%
Twenty-seventh Referendum—December 14, 1962	11	2	84.6%
Twenty-eighth Referendum—February 15, 1963	8	0	100.0%
Twenty-ninth Referendum—May 3, 1963	6	3	66.6%
Thirtieth Referendum—December 13, 1963	16	0	100.0%
Thirty-first Referendum—February 14, 1964	5	1	80.0%
Thirty-second Referendum—May 8, 1964	4	0	100.0%
Thirty-third Referendum—May 22, 1964	1	0	100.0%
Thirty-fourth Referendum—August 31, 1964	1	0	100.0%
Thirty-fifth Referendum—December 11, 1964	15	1	93.7%
Thirty-sixth Referendum—March 12, 1965	7	1	87.5%
Thirty-seventh Referendum—April 16, 1965	3	0	100.0%
Thirty-eighth Referendum—May 14, 1965	2	0	100.0%
Thirty-ninth Referendum—August 30, 1965	2	0	100.0%
Fortieth Referendum—December 18, 1965	17	0	100.0%
Forty-first Referendum—March 18, 1966	6	1	85.7%
Forty-second Referendum—May 20, 1966	2	0	100.0%
Forty-third Referendum—December 9, 1966	4	0	100.0%
Forty-fourth Referendum—January 27, 1967	5	0	100.0%
Forty-fifth Referendum—March 7, 1967	1	0	100.0%
Forty-sixth Referendum—May 5, 1967	1	0	100.0%
	1,023	105	90.7%

Agencies having an unfavorable vote for the Social Security coverage must wait one full year before voting again.

SOCIAL SECURITY COVERAGE BY COUNTIES (as of June 30, 1967)

COUNTY	School Districts	Cities Towns	Other Agencies
Beaverhead	15	1	—
Big Horn	6	1	2
Blaine	16	2	5
Broadwater	3	1	1
Carbon	15	4	2
Carter	13	1	—
Cascade	26	4	1
Chouteau	23	3	1
Custer	17	1	1
Daniels	4	2	1
Dawson	19	2	1
Deer Lodge	3	1	1
Fallon	9	1	—
Fergus	29	2	—
Flathead	20	3	1
Gallatin	19	4	—
Garfield	13	1	—
Glacier	7	1	1
Golden Valley	3	1	—
Granite	4	2	—
Hill	16	1	1
Jefferson	8	2	—
Judith Basin	7	—	—
Lake	10	3	2
Lewis and Clark	15	2	2
Liberty	9	1	—
Lincoln	14	2	1
Madison	6	4	4
McCone	11	1	—
Meagher	7	1	—
Mineral	4	1	—
Missoula	14	1	2
Musselshell	7	2	—
Park	9	1	2
Petroleum	5	1	—
Phillips	16	3	2
Pondera	15	2	1
Powder River	6	1	—
Powell	10	1	—
Prairie	3	1	1
Ravalli	8	3	1
Richland	21	2	2
Roosevelt	9	5	2
Rosebud	8	1	2
Sanders	9	2	1
Sheridan	13	2	—
Silver Bow	5	1	1
Stillwater	12	1	—
Sweet Grass	11	1	—
Teton	9	3	2
Toole	15	3	1
Treasure	2	1	1
Valley	13	2	1
Wheatland	4	1	—
Wibaux	11	1	—
Yellowstone	15	2	4

NUMBER OF AGENCIES OFFERING THEIR EMPLOYEES SOCIAL SECURITY AS OF JUNE 30, 1967

(By Coverage Groups)

COVERAGE GROUPS	Number of Agencies
SCHOOL DISTRICTS:	
Teachers	626
Members of the Public Employees' Retirement System	100
Members who do not belong to the Public Employees' Retirement System	212
CITIES AND TOWNS:	
Members of the Public Employees' Retirement System	46
Members who do not belong to the Public Employees' Retirement System	54
COUNTIES: (100%)	
Members of the Public Employees' Retirement System	55
Members who do not belong to the Public Employees' Retirement System	1
STATE DEPARTMENTS (100%)	100
UNIVERSITY SYSTEM (100%)	6
OTHER AGENCIES:	
Irrigation Districts	19
Cemetery Districts	14
Municipal Water Departments	2
Public Libraries	2
Public Housing Authorities	6
Soil Conservation Districts	5
Montana Municipal League	1
Planning Board	1
Rural Fire District	1
Hospital Association	1
County Water District	1
Public Health District	2

SOCIAL SECURITY COVERAGE IN SCHOOL DISTRICTS AS OF JUNE 30, 1967

The number of school districts covered by Social Security according to specific coverage groups.

COVERAGE GROUPS	Number of Districts
*Teachers	626
Employees other than Teachers (Total)	312
Employees other than Teachers who are members of the Public Employees' Retirement System	100
Employees other than Teachers who only have Social Security coverage	212
All Employees covered. Teachers and employees other than Teachers	283

*All teaching positions in Montana are covered by the Teachers' Retirement System.